



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARTER COUNTY SHERIFF**

Calendar Year 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Alice Binion, Carter County Judge/Executive
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Carter County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, P.S.C., evaluated the Carter County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARTER COUNTY SHERIFF**

Calendar Year 1999

EXECUTIVE SUMMARY
CARTER COUNTY
KEVIN MCDAVID, SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

The Carter County Sheriff's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The Sheriff received operating revenue from various sources, including a state grant of \$23,918 for lake patrol. The Sheriff also received a state advance of \$60,361 and obtained a bank loan of \$13,500 to fund the operations of his office when cash flows were low. Both the state advance and the bank loan were repaid when the Sheriff received his tax commissions. The Sheriff's office generated excess fees of \$58,243, which represents net income of the office after paying all expenses for the year. Excess fees are payable to the County Fiscal Court. The Sheriff had already paid \$58,117 of the excess fees, leaving a balance of \$306 in excess fees due the fiscal court.

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statement of Receipts, Disbursements, and Excess Fees	2
Notes to Financial Statement	4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards	6

To the People of Kentucky

Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
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Honorable Alice Binion, County Judge/Executive
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Carter County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
July 18, 2000

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Fees For Services:

Lake Patrol		\$	23,918
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State Fees For Services:

Finance and Administration Cabinet	\$	10,842	
Cabinet For Human Resources		<u>1,598</u>	12,440

Circuit Court Clerk -

Fines and Fees Collected	\$	2,955	
Sheriff Security Services		<u>29,262</u>	32,217

Fiscal Court			4,829
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County Clerk - Delinquent Taxes			6,421
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Commission on Taxes Collected			145,484
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Fees Collected For Services -

Auto Inspections	\$	12,495	
Accident and Police Reports		132	
Carrying Concealed Deadly Weapons Permits		2,400	
Delinquent Tax Penalty		28,761	
Serving Papers		<u>8,825</u>	52,613

Other -

Bond Refund	\$	8,888	
Miscellaneous		<u>(34)</u>	8,854

Interest Earned			2,937
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Borrowed Money:

State Advancement	\$	60,361	
Bank Note		<u>13,500</u>	<u>73,861</u>

Total Receipts (Carried Forward)		\$	363,574
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The accompanying notes are an integral part of the financial statement.

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(CONTINUED)

Total Receipts (Brought Forward)		\$	363,574
<u>Disbursements</u>			
Operating Disbursements -			
Personnel Services -			
Deputies' Gross Salaries			98,107
Employee Benefits -			
Employer's Share Social Security	\$	11,204	
Employer's Share Retirement		11,631	
Employer Paid Health Insurance		13,877	
Unemployment		2,805	39,517
Contracted Services -			
Advertising	\$	77	
Vehicle Maintenance and Repairs		4,698	4,775
Supplies and Materials -			
Office Materials and Supplies	\$	6,297	
Uniforms		1,864	8,161
Auto Expense -			
Gasoline	\$	7,872	
Insurance		4,500	12,372
Other Charges -			
Bond	\$	1,310	
Carrying Concealed Deadly Weapon Permits		1,520	
Dues		493	
Miscellaneous		2,473	
Occupational Fees		2,263	
Postage		1,352	
Telephone		2,552	
Transport Prisoners		598	12,561
Debt Service -			
State Advancement	\$	60,361	
Bank Loan Repaid		13,500	
Interest on Bank Loan		95	73,956
Total Disbursements			<u>249,449</u>
Net Receipts		\$	114,125
Less: Statutory Maximum			<u>55,702</u>
Excess Fees Due County for Calendar Year 1999		\$	58,423
Payment to County Treasurer - March 24, 2000			<u>58,117</u>
Balance Due at Completion of Audit		\$	<u>306</u>

The accompanying notes are an integral part of the financial statement.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999

(CONTINUED)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond(s) which named the Sheriff as beneficiary/obligee on the bond(s).

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Alice Binion, County Judge/Executive
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of the Financial
Statement Performed in Accordance With Government Auditing Standards

We have audited the Carter County Sheriff as of December 31, 1999, and issued our report thereon dated July 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carter County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson,

P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
July 18, 2000